

INFORMATION ON THE IMPLEMENTATION OF THE WORK PROGRAMME OF THE ENERGY COMMUNITY FOR 2012

A. BACKGROUND AND APPROACH

The proposed information has been developed by the Energy Community Secretariat (the Secretariat) and reflects the status of implementation of the Work Programme of the Energy Community for the year 2012¹. Anyhow, it should be noted that – as for clarity and to recall the continuity, the respective activities in 2011 should be also referred to where necessary.

The elaboration below is based on abstracts of the Work Programme, as adopted by the Ministerial Council², where all tasks envisaged within the cited period are listed and developed in more details.

Within the reviewed period, the Energy Community Secretariat was actively engaged as to assure compliance with the Work Programme requirements. However, this should have not been possible without the guidance of the Energy Community institutions and the active involvement by the Parties, as well as by the other stakeholders.

Recalling that implementation of the Energy Community acquis is a key activities' format for achieving the Community's goals, the current report should be considered together with the Report on the Implementation of the Treaty, circulated for the Ministerial Council meeting (Annex 15). Nevertheless, the presented information shall be also reviewed along the key tasks as specified by the Work Programme. More detailed information under each item is available upon request.

¹ The information reflects the status as on 1 September 2012.

² Conclusion 20, 9th MC meeting, 06.10.2011

B. PERFORMANCE ON THE TASKS

I. REGIONAL MARKET DEVELOPMENTS

1. SUMMARY

The key activities in this area continued to focus on the support the developments in the Contracting Parties, concerning the electricity and gas sectors as to achieve fulfillment of the requirements of the Treaty. Thus, the focus was on the support on the implementation of the *acquis* as well as on the support to gradual development of a regional market and in particular starting with opening of wholesale markets in the Region.

A strong stimulus in this aspect was the adoption of the Ministerial Council decision on the implementation of the Third Energy Internal Market Package³ and the new directive on renewable energy adopted by the EU in 2009.

2. ACTIVITIES

2.1. Monitoring and supporting activities

The benchmarking on the institutional, legal and regulatory framework in the Contracting Parties in the context of the requirements of the relevant *acquis* was on the everyday agenda of the Energy Community activities.

Concrete focus in this aspect was the support in development of legislation and regulatory frameworks to increase compliance with the energy *acquis* and to open the markets. This concerned factually all Contracting Parties and some Observers; within the period, however, very concrete results were achieved and/or further planned *inter alia* in Albania, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine, as well as with Armenia.

In this aspect, it should be noted that the Secretariat – both upon request and on its own motion – actively consulted within the period most of the relevant draft legislative acts, market rules and documents of strategic nature, whose preparation and adoption is reflected in the annual Implementation Report⁴ as individual information for each of the Contracting Parties.

What should be also explicitly recalled is that the concrete results in all these Contracting Parties and Observers were due to extensive work not only with the governments and governmental structures (ministries, agencies), but also with the regulatory authorities, the Parliaments and in one case even with an institution under the President. The outstanding operational cooperation between the Secretariat and ECRB was another prerequisite for effectiveness.

³See Conclusion 9, 9th Ministerial Council (06.10.2011).

⁴Annex 15 for the 10th Ministerial Council meeting.

2.2. Activities, related to the setting-up of a regionally coordinated market approach

In the electricity area, the establishment of a congestion management and capacity allocation mechanism in the 8th Region was the focus of attention. Although the project faced some delay in the past, spring 2012 was marked by remarkable progress: with extensive financial support from the International Financing Institutions (IFIs) the TSOs of Albania, Croatia, Bosnia and Herzegovina, FYR of Macedonia, Greece, Montenegro, Romania, Slovenia, Kosovo⁵ and Turkey on 13 June 2012 signed an agreement for establishing a Limited Liability Company in charge of establishing a Coordinated Auction Office in SEE in the course of 12 months

Further progress on establishing a regional electricity market has been made by developing a Regional Action Plan for Electricity Wholesale Market Opening in the Energy Community (RAP). The RAP has been jointly developed by the ECRB and ENTSO-E, endorsed by the PHLG and also takes into account the requirements of the “European Electricity Target Model” for integration of European electricity markets by 2014. The establishment of a SEE CAO for allocation of long term electricity capacities is part of the RAP.

In the gas area, the Secretariat continued to represent the Energy Community at the EU Gas Coordination Group as its official member. This happens on the ground of the Secretariat analytical conclusions as well as on the ground of the concrete information, presented by the Contracting Parties and Observers.

In this aspect, although analyzing with the relevant Contracting Parties their national approach and expectations, the Secretariat has always also followed the regional needs and perspectives. Close cooperation of the Energy Community process with the European level has proven to be an important tool for achieving the common internal market. It is in this context that the projects relevant for the materialization of the Energy Community Ring were recognised within regional plans established within the Third Package format. The Secretariat participates as the Observer to the ad hoc Working Group on the North-South gas interconnections in CEE and SEE with the aim to prepare the identification of projects of common interest under the proposed Infrastructure package.

The ENTSOG invited the Contracting Parties’ relevant gas operators to establish direct relationships especially in the perspective of a better coverage of the Energy Community area within work in drafting the updated Ten Year Network Development Plan (2013-2022) and network codes. This cooperation has materialized in 2012; upon ENTSOG’s invitation, Croatia’s TSO PLINACRO applied and gained the observer status, whereas the other TSOs expressed their interest to follow this positive example.

The coordination efforts proved to be a successful example of regulatory cooperation: with a view to establishing a common network model for all sections of the TAP pipeline, the three regulators from Albania, Italy and Greece started to develop a harmonized exemption model, under the Third Package, with the support from the Secretariat.

⁵ Throughout the text this designation is without prejudice to positions on status, and is in line with [NSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

Further in this aspect, the concrete developments along the gas-to-power initiative, launched at the end of 2011, need to be recalled. This initiative provided very concrete format for discussing aspects of utilization of natural gas in the region both on national and regional level. The projects related to realization of the Gas Ring concept and consequently with influence on Contracting Parties' national markets have been discussed with relevant stakeholders, including representatives of the business and promoted at the number of regional events in which the Secretariat has participated. Concrete expert level meetings with the individual Contracting Parties have been organised in Montenegro, Bosnia and Herzegovina, and Albania so far, and are on-going.

An important step forward was achieved in June 2012, when the financing of a regional study on "The Consortium approach to Gas to power and the Energy Community Gas Ring" was approved by the Western Balkans Investment Framework Steering Committee. The study will propose a coordinated approach to building the gas fired power plants/anchor loads in the Contracting Parties.

2.3. Activities related to Security of Supply

Within the period, further to the implementation related activities, which are reported in the Implementation Report, it should be noted that extended meeting of the Energy Community Security of Supply Coordination Group is planned for 17.10.2012. Key focus of the debates will be operational cooperation in case of security emergencies as well as procedural rulings. A specific element of the planned meeting is linked to active look for substantial representation not only of the Parties and Observers, but also of other international organizations, consumer and industry organizations.

The frost all around Europe in February 2012 triggered record high consumption of both gas and electricity in the EU. The Contracting Parties to the Energy Community faced the same situation and reported historical peak consumption of gas. The Contracting Parties generally managed to satisfy the increased demand, in spite of the reduced deliveries of gas. The Secretariat monitored the situation in the Contracting Parties closely, although not without difficulties.

As enhancing security of supply is one of the main objectives of the Energy Community, following the developments in the EU, the Secretariat launched a study to facilitate the implementation of Regulation on security of gas supply N° 994/2010, envisaged in the future. The Final Report is expected by the end of February 2013.

2.4. Others

Specific contribution to the regional market developments was provided by the work on the Regional Energy Strategy, which, however, is subject to separate reporting⁶. Therefore, at this stage the role of the Regional Energy Strategy towards regional market developments is just recalled.

⁶ See Agenda Item 6 for the 10th Ministerial Council meeting and respectively Annex 19.

II. DEVELOPMENT OF THE ENERGY COMMUNITY ACQUIS

Within the reporting period, concrete steps were undertaken to finalize the proposals for extension of the Energy Community acquis in the areas of renewables, statistics and oil stocks.

These activities were linked not only to intensive work of the relevant institutions (PHLG, the Secretariat, the RES TF), but also via active training activities. The latter involved also expertise of other institutions and consultants (e.g. IEA, HANDA, etc.).

The final outcome is that the Ministerial Council of the Energy Community is invited to consider the extension of the Energy Community acquis in the areas of:

- Renewables;
- Statistics;
- Oil Stocks.

The outline of the concrete undertaken steps and the outcome are reflected in the documentation, presented to the Ministerial Council upon their consideration of the PHLG. Therefore, for more information, these documents should be referred⁷.

Anyhow, as unlike for statistics and oil stocks, the activities, related to renewables were most intensive and specific, the following should be explicitly recalled:

- Renewable Energy was a key topic of extensive debate in the Energy Community context during 2011-2012. The activities of the RE Task Force during 2011-2012 were focused on several tasks as adopted in the RE TF Work Programme. First, it was the finalization of RE TF work towards the implementation of the Renewable Energy Directive 2009/28/EC in 2012. Important prerequisite for this was the completion of the Biomass Consumption Survey Study at the beginning of 2012 that allows the compilation of the 2009 energy balance with sound and reliable biomass consumption data and calculation of the renewable energy share in 2009.
- The European Commission adopted a draft proposal for a decision of Ministerial Council on the implementation of Directive 2009/28/EC in the Energy Community and the legal text was discussed with the Contracting Parties during a technical meeting organized by the Secretariat in May 2012. Upon the agreement reached, the Commission proposal is submitted to the Ministerial Council for adoption at its 10th meeting in October 2012.

⁷ See in concrete the following references to the 10th Ministerial Council meeting:

- For statistics - Agenda item 3 and Annex 16;
- For oil stocks – Agenda item 4 and Annex 17;
- For renewables – Agenda item 5 and Annex 18.

III. COOPERATION OF ENERGY REGULATORS WITHIN ECRB

1. SUMMARY

Recalling that under the Work Programme the key objective of the cooperation of energy regulators within the ECRB is to support the harmonized development of regulatory rules in the Energy Community, as well as to provide platform for exchanging knowledge and developing common best practice solutions for implementing the Treaty in a harmonized way, concrete activities were undertaken within the indicated period.

Acknowledging the need to develop joint efforts on regulatory and ministerial level and recognizing that regulatory activities have to operate within the general energy policy framework, the ECRB has defined a general framework for its activities embedded in the Energy Community Work Program 2011-2012. Starting from this, a more detailed definition of activities has been elaborated and published in the ECRB Work Program 2011 and the ECRB Work Program 2012⁸.

2. ACTIVITIES

According to its Work Program the ECRB activities in 2011 and 2012 involve:

Electricity

- harmonized wholesale trade licensing;
- balancing;
- regulatory input to the development of a regionally coordinated capacity allocation;
- development of common market monitoring guidelines in cooperation with USAID;
- ;
- renewables

Gas

- Regulatory Measures for Realization of the Energy Community Gas Ring;
- Interoperability;
- Balancing;

Customer issues:

- Status review and implementation of quality of service standards – executed in comparison with the Council of European Energy Regulators;
- Status review and roll out of smart grids;
- grid connection;
- Protection of vulnerable household customers;

Related to the ECRB activities, in 2012 the Secretariat has finalized all studies launched in 2011 that were as follows:

- Development of best practice recommendations for smart meters rollout in the Energy Community

⁸ See www.ecrb.eu.

- Recommendation for quality of service data collection, reporting and auditing in the Energy Community
- Recommendation for funding investments in the Energy Community Gas Ring.

In parallel, consultancy requests, developed under the guidance and with contributions of the ECRB working groups, have been identified in the following areas of work:

- Development of best practice recommendations for imbalance settlement
- Development of Best Practice Recommendations for Customer Switching in the Energy Community.

The ECRB reported about its 2011 activities in detail in a separate annual report which is available on the Energy Community⁹ and the ECRB website¹⁰.

⁹ www.energy-community.org.

¹⁰ www.ecrb.eu.

IV. PROMOTING INVESTMENTS AND DEVELOPING ENERGY INFRASTRUCTURES

1. SUMMARY

Within the period, further to the preparation of the Regional Energy Strategy, which focuses explicitly on investments¹¹, concrete practical steps were undertaken, aiming to promote the investment climate in general and specific investments in concrete.

2. MEETINGS

In concrete, in the second half of 2011 and in 2012 progress meetings were organized in relation to some priority projects e.g. : in gas infrastructure;

- Ionian Adriatic Pipeline: the Feasibility Study (FS) and Environmental Impact Assessment (ESIA) study were launched in June 2012; IAP Interstate Committee meeting in June 2012

- Interconnection Serbia – Bulgaria: FS and ESIA were prepared and discussed in the project steering committee and it was decided to contract an additional financial assessment of the pipeline (this is ongoing at the date of this report)

In addition, following separate requests, the Secretariat had meetings with companies with concrete investment interests in the Contracting Parties (e.g. DTEK, MOLDOVAGAZ, GENERAL ELECTRIC, Statkraft, Windvision, etc.).

Further, the Secretariat hosted several meetings with industry organizations.

Besides, the Secretariat prepared the following events:

- The 2012 investment conference (November), Vienna;
- The 3rd and the 4th investors' advisory panel meetings, in November 2011 and respectively May 2012, in Vienna. These were opportunities to discuss issues related to investments (TPA exemptions, Renewable energy and progress with the Acquis adoption, new proposals under the WBIF funding, etc.) and identify key barriers and steps to remove these.

¹¹ See footnote 5 above.

V. ENVIRONMENT AND CLIMATE CHANGE

1. SUMMARY

The work related to this part of the Work Programme was based on the explicit requirements of the *acquis* concerning environment, as envisaged by Article 16 of the Treaty, namely the transposition and implementation of the pieces of legislation listed in therein.

2. ACTIVITIES

2. 1. Monitoring activities

The implementation of Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment, as amended by Council Directives 97/11/EC of 3 March 1997 and Directive 2003/35/EC of the European Parliament and of the Council of 26 May 2003, and of Article 4(2) of Directive 79/409/EEC of the Council of 2 April 1979 on the conservation of wild birds and Directive 1999/32/EC of 26 April 1999 relating to a reduction of the sulphur content of certain liquid fuels was presented in the Implementation Report to the Ministerial Council at its meeting on 18.10.2012. For this purpose, the Secretariat was in contact with the Environmental Ministries in all Contracting Parties.

Moreover, the Secretariat carried out a "Compliance Assessment Report regarding the implementation of Directive 1999/32/EC of 26 April 1999 relating to a reduction in the sulphur content of certain liquid fuels and amending Directive 93/12/EEC in Energy Community Contracting Parties" which was circulated amongst the Contracting Parties. The findings of the report are also reflected in the Implementation Report.

2.2. Preparation for proper and timely implementation of Directive 2001/80/EC of the European Parliament and of the Council of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants

The deadline for the implementation of Directive 2001/80/EC is 31 December 2017, therefore there is still time left for the Contracting Parties to prepare themselves for full implementation.

The second and third meetings of the Task Force on the Environment, based on the adopted mandate at the 19th PHLG meeting, took place on 20 October 2011 and 26 May 2012 in Vienna and the implementation of Directive 2001/80/EC was one of the main raised concerns. The Task Force discussed various issues in view of the deadline set in the Treaty. It was agreed that the Task Force with the support of the Secretariat should assist the Contracting Parties in order to be in the position to implement the Directive in the shortest possible timeframe.

The Secretariat is organizing a technical workshop on the retrofitting of old combustion plants with the aim of helping the Contracting Parties to overcome these challenges. One of the main focuses of the work of the Task Force will remain the preparation for the implementation of the Large Combustion Plants Directive in the Contracting Parties.

2.3. Follow-up activities in the field of climate change

The Secretariat continued to monitor the developments in the field of climate change in the Contracting Parties. This work was backed up by the conclusions and recommendations of a “Study on the potential for climate change combating in power generation in the Energy Community” which was finalised in March 2011. The findings of the Secretariat can be found in the Implementation Report 2011-2012.

VI. ACTIVITIES RELATED TO ENERGY EFFICIENCY

1. SUMMARY

The work, related to this part of the Work Programme, was focused on the support in timely transposition and implementation of the energy efficiency *acquis*, adopted by the Ministerial Council Decisions in December 2009¹², September 2010¹³ and October 2011¹⁴, implementation of the Work Programme of the Energy Efficiency Task Force for 2012, as well as continuous cooperation with EU and other international organizations and donor community to support implementation and launching of new regional financing facilities for energy efficiency.

2. ACTIVITIES

The key activities, which match the tasks, envisaged in the Work Programme, are reflected below.

Within the period the Secretariat provided technical assistance to the Contracting Parties in the process of implementation of the three directives and to the EETF.

As of October 2011, the following energy efficiency directives are part of the Energy Community *Acquis*:

- Directive 2006/32/EC on energy end-use efficiency and energy services;
- Directive 2010/31/EU on the energy performance of buildings and
- Directive 2010/30/EU on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products, as well as, a set of implementing directives/ delegated acts.

All Contracting Parties made significant progress in transposition of above energy efficiency directives during 2011 and 2012. The most advanced Contracting Parties with good national energy efficiency laws and regulation are Croatia, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Kosovo*, while Albania, Bosnia and Herzegovina, Serbia and Ukraine prepared draft energy efficiency laws and have plans to adopt them soon.

¹² Ministerial Council Decision 2009/05/MC-EnC of 18 December 2009 on the implementation of certain Directives on Energy Efficiency

¹³ Ministerial Council Decision 2010/02/MC-EnC of 24 September 2010 amending Decision 2009/05/MC-EnC

¹⁴ Ministerial Council Decision D/2011/03/MC-EnC of 06 October 2011 on adopting certain Delegated Regulations on energy related products

The Secretariat supported the development of energy efficiency primary and secondary legislation in the Contracting Parties by providing comments on the draft legislation, by-laws and National Energy Efficiency Action Plans (NEEAPs) and checking compliance with energy efficiency *acquis*, as well as organizing expert missions (in all Contracting Parties, except Croatia) and maintaining close cooperation with technical assistance programmes in this area. One of the good examples is support to Ukraine as new Contracting Party, where Secretariat intensively commented practically all strategic and legal documents and established good cooperation with Ukrainian authorities (Parliament, Ministries, and Energy Efficiency Agency), EU Delegation and TA projects related to transposition of energy efficiency *acquis*, in order to support Ukraine to speed up reforms in this area.

Besides the efforts undertaken at national level, an effective regional cooperation and involvement of all Contracting Parties in a joint work, through the Energy Efficiency Task Force (EETF), proved equally important and represented an added value. At the end of 2011 the EETF successfully accomplished activities under Work Programme for 2011. Following decision of the Ministerial Council in October 2011 to extend the mandate of the Task Force till the end of 2012, the EETF developed and are currently implementing the Work Programme for 2012. Key activities of the Task Force in period 2011-2012 included finalization of the updated road maps for implementation of the energy efficiency directives and reporting on progress achieved, development of tools for monitoring of implementation of 1st NEEAPs and first preliminary reporting (in June 2012), sharing of experience in harmonization of national legislation with energy efficiency directives, preparation for development of the 2nd NEEAPs and integrating the new EU requirements, harmonized development and reporting on communication and awareness raising campaigns, with focus on promotion of investments projects in the public sector.

The one of the key factors for successful implementation of very demanding tasks in the area of energy efficiency has been excellent and continuous communication and cooperation with donors community (EU, GIZ ORF – EE, USAID/SYNENERGY, SIDA and others bilateral TA projects) which enabled tailored support on regional and national level.

The Secretariat launched in May 2011 (and finalized in February 2012) the Study on Energy Efficiency in Buildings in the Contracting Parties of the Energy Community, in order to support the Contracting Parties to implement the Directive 2010/31/EU. The Study provides comprehensive recommendations for all aspects of implementation the Directive. Training workshop was organized in February 2012, with the aim to present the findings and recommendations of the Study. As follow up of this process, the Secretariat has further coordinated application for the regional project, that will support development of methodology and softer for calculation of the energy performance of buildings in eligible Contracting Parties.

The Secretariat continued to further promote stronger communication and cooperation with regional and EU projects in the energy efficiency field. Cooperation with Network of Associations of Local Authorities (NALAS) was continued with Secretariat's participation in the last NALAS meetings on energy efficiency organized in February 2012 and elaboration of set of planned joint activities. Secretariat continued cooperation with relevant EU projects on energy efficiency, like the Concerted Actions on the Energy Services Directive and on the Energy Performance of Buildings Directive, BUILD UP – EU portal on of energy efficiency in the buildings, INOGATE projects for energy efficiency etc.

By the end of 2012 Secretariat will continue extensively to support implementation of the EE *acquis*, especially in less progressing and new Contracting Parties.

The Secretariat provided also operational support on the implementation of the National Energy Efficiency Action Plans (NEEAP) as adopted.

The work of the Energy Community in this area was strongly backed up by the work of the EETF. The Task Force's Work Programmes for 2011 and 2012 included important tasks related to the finalization of the 1st NEEAPs, development of tools for monitoring and reporting on implementation of 1st NEEAPs.

All "old" Contracting Parties submitted their NEEAPs. Due to their later accession to the Treaty, Moldova and Ukraine had received extended deadlines and these two NEEAPs are still pending.

GIZ "Open Regional Fund - Energy Efficiency" provided during 2011-2012 significant support to Contracting Parties for the development of a methodology and software for NEEAP monitoring, verification and evaluation of energy savings. Based on this methodology, in June 2012, all Task Force members presented their preliminary reports on the status of 1st NEEAPs implementation.

By the end of 2012 activities of the Task Force will continue with preparation for development of the 2nd NEEAPs and integrating the new EU requirements. Secretariat will support these activities with development of template for 2nd NEEAP, organization of training workshop on how to prepare 2nd NEEAP, and operationally support Contracting Parties in the whole process of preparation of 2nd NEEAP (by 30 June 2013).

At the end of 2011 EC/DG Enlargement finalized Study to identify financing options to implement NEEAPs. The global objective of the study is to support national governments in their efforts to meet their commitments under the Energy Community Treaty by assisting them to identify sustainable financing options for implementation of their NEEAPs and to create a proper regulatory and policy framework for utilization of such financing mechanisms. Results of the Study were presented at the EETF meeting in November 2011. The results of the Study have been also used by EC for programming of the new Energy Efficiency Window under WBIF to support financing NEEAPs.

Training on the key requirements of the three directives, related to energy efficiency, was also considered.

Training activities in 2011 and 2012 included organization of the Workshop on the Implementation of the Energy Efficiency Directives in Practice (March 2011), Workshop on Energy Efficiency in Buildings (February 2012), thematic sessions for Energy Efficiency Task Force ("Exemplary role of the public sector" - June 2011, "Developments in the Energy Efficiency Policy of the EU" - November 2011, "Good practices in implementation of the EPBD" - February 2012, "Public sector financing and good practices in housing sector" - June 2012, as well as participation of Secretariat's experts in different workshops in Contracting Parties (Bosnia and Herzegovina, Moldova, Serbia and Ukraine).

GIZ Open Regional Fund - Energy Efficiency provided extensive support during 2011-2012 to Contracting Parties for the development of a methodology and software for NEEAP monitoring, verification and evaluation of energy savings, through the project "Capacity building for Monitoring, Verification and Evaluation of EE policy in SEE countries in terms of the EU accession process (M&V&E)".

By the end of 2012 training activities will continue with organization of the training workshop on how to prepare 2nd NEEAP, as well as thematic session on available financial programmes to support implementation of NEEAP measures in public sector.

The development and implementation of the awareness raising campaigns started and will continue upon the model Communication and Awareness Raising Campaign plan, prepared by Croatia. At the EETF meeting in November 2011, the Task Leader from Montenegro presented cross-country review of the communication and awareness raising plan implementation. The presentation summarized findings from the reports submitted by all Contracting Parties on the basis of the harmonized structure specified by the Template developed by the Secretariat.

In 2012 the focus is also on implementation of energy efficiency communication and awareness raising campaigns as well as on promotion of best example energy efficiency projects, especially in the public sector. In July 2012 Secretariat prepared reporting template. Summary findings will be presented at the EETF meeting in October 2012.

Opportunities offered by the BUILD UP - the official EC portal for energy efficiency in buildings were presented in the EETF meeting in February 2012. Cooperation with BUILD UP will continue, with regional coordination by the Secretariat, including exchanging of information and expanding the visibility of Contracting Parties' activities at EU level in the field of energy efficiency in the buildings sector.

Promotion of schemes for financing energy efficiency measures was organized by the Secretariat as to provide forum for dissemination of best practices.

EU/DG Enlargement in cooperation with Secretariat, following needs of Contracting Parties, developed report "Review of Financial Support Facilities Available for Energy Efficiency and Renewable Energy in the Western Balkans" (June 2011) and Study on Financing Options to Implement National Energy Efficiency Action Plans in the Western Balkans (December 2011). This also resulted in recent allocation of 20 million EUR under the IPA Multi-beneficiary programme for 2012 for a new WBIF Energy Efficiency Window (to be implemented by EBRD), which will support national governments in their efforts to meet the commitments under the Energy Community Treaty and to assist them in the implementation of the NEEAPs.

IFI Coordination Office continue to support Contracting Parties towards better implementation of available financing mechanisms, including most recent support in creation of dedicated section at the Energy Community web site on available financing mechanisms in the Western Balkan (which will be further developed by Secretariat to include Moldova and Ukraine), as well as planned support in development of national dedicated web sections on available financing for energy efficiency, organisation of country workshops to raise awareness about financing options for NEEAP implementation (draft agenda was presented during the EETF meeting in June 2012). Pilot activities will start in Montenegro and will be further implemented in other Contracting Parties, especially where high interest exists.

VII. SOCIAL DIMENSION

1. SUMMARY

Energy sector reforms are mainly a complex package that includes restructuring, privatization, the introduction of competition and independent regulation. In parallel, these reforms are associated with social consequences that must be anticipated and faced by the Contracting Parties.

In this context some key activities were undertaken within the Energy Community both in 2011 and 2012.

2. ACTIVITIES

The Secretariat has organized 3 main activities on Social Dimension in 2011/2012:

Anticipation and managing the social consequences that arise from the implementation of the Treaty establishing the Energy Community was the main topic discussed at the Social Workshop (Montenegro - 11/12 July 2011). In addition, implementation of the Public Service Obligation and the role of social dialogue in the management of change were presented and discussed.

The 4th Social Forum (Chisinau - 04 October 2011) emphasized the most important issues covered by the Memorandum of Understanding, as well as the progress registered with the implementation of the Social Action Plans.

The Social Workshop (Vienna - 20 April 2012) discussed the contribution to strengthening the social dialogue mechanisms in the Energy Community Contracting Parties and to promote social dialogue within the framework of the Energy Community. The Workshop focused on the findings, conclusions and recommendations of the Study on Social Dialogue in the Western Balkan Countries, commissioned by DG EMPL in 2009 and finalized by GVG in 2011.

Ukraine and Moldova, as CPs joined the Energy Community recently, signed the declarations for becoming a signatory to the Memorandum of Understanding in the context of the Energy Community at the 4th Social Forum (04 October 2011) and confirming their willingness to join the Memorandum of Understanding. In addition they both committed to prepare and deliver their Social Action Plans by the next Social Forum.

Upcoming Social Forum – 11/12 September 2012, Montenegro

The 5th Social Forum of the Energy Community is organised by the Energy Community Secretariat under the auspices of the European Commission and Montenegro as Presidency in Office. The Forum will focus mainly on energy vulnerability as well as on the Energy Strategy of the Energy Community; further the actual challenges, concerning employment and working conditions will represent other important topics. The Forum will encourage all Contracting Parties that in corporation with Social Partners to define credible steps towards developing high levels of protection for consumers by avoiding low regulated energy tariffs, which leads to market distortion and ultimately endangers security of supply.

KEY FINDINGS AND UPCOMING STEPS

The monitoring of the Social Action Plans implementation shows that the progress is inadequate. There are still three Contracting Parties (Albania, Croatia, Kosovo*) that have not approved the SAP at the Governmental level. On the other hand Albania and Bosnia and Herzegovina do not currently inform the Secretariat sufficiently on the progress. A review of the SAPs proves moreover that there is not much progress in the implementation of the Plans. The updated information is not focused on energy activities but formulated in a rather general manner. No real progress is presented in Social Dialogue with the Social Partners, the same on management of change. As positive fact can be mentioned the efforts focused to the transposition of the EU directives into national legislation.

As upcoming targets, the Secretariat suggests a further update of the Social Action Plans by all Contracting Parties with concrete actions in energy sector and strengthening provisions on the follow-up and monitoring.

From the analysis of the Social Action Plans and the conclusions of the first four Social Forums, it is evident that there is a strong need for capacity building and training in particular on Implementation of the Social Action Plans. The role of working groups should be improved in order to monitor the process, managing the social consequences that arise from the implementation of the Treaty establishing the Energy Community and present the concrete findings to the Secretariat. The Secretariat thinks that the co-operation with the Social Partners in promoting the social dimension of the Energy Community is very important and would like to organize another workshop in 2013 bringing together the European Commission, the European and the representatives of the working groups from the national Social Partners and Contracting Parties on this topic. The leading role of ministry in charge for energy or ministry in charge for social issues should be emphasized and reflected in the working group revitalization.

VIII. OVERALL AND CROSS-CUTTING ACTIVITIES

1. SUMMARY

The key objective of these activities is to provide sufficient information as a background of relevant decisions by the competent Energy Community institutions as well as to facilitate the necessary steps by the Contracting Parties allowing adequate implementation of the Treaty provisions.

Besides, they target additional steps for promotion of competition along the Treaty requirements, raising more Energy Community awareness and securing necessary operational support for efficient performance of the tasks of all Energy Community institutions.

2. ACTIVITIES - SUMMARY

The operational activities, related to the overall and cross-cutting tasks, had different scope, matching on the one side the concrete necessities, and on the other – the competences of the Secretariat and the other Energy Community institutions.

In this aspect, the following should be noted in summary:

In relation to the overall and cross-cutting activities, the Energy Community Secretariat in particular, along its mandate continued to provide assistance to all institutions within the scope of their competences both on organizational and policy level. Thus, this included inter alia organization of the relevant Energy Community events, coordination of the work of relevant working groups and task forces, where needed. A substantial part of this work was the effective budget management (including also relevant procurement), which has been also reflected in the relevant audit report and report of the Budget Committee for the 10th Ministerial Council meeting¹⁵.

One of the key tasks, performed regularly by the Secretariat, was presenting adequate information by the Secretariat via different types of reports along the Treaty requirements as well as on its own initiative. This reporting was done to the PHLG, the Fora, the Budget Committee and is also permanent part of the Ministerial Council agenda.

A key part of the information process was strongly linked to the factual support, provided to the Contracting Parties and Observers in the implementation of the Energy Community acquis, and to its concrete outcome. This support was provided via operational communication as well as missions and specific events on the spots.

The actual implementation of the acquis requirements and its monitoring is closely linked to the ongoing enforcement process. Within the discussed period, the number and the depth of the dispute settlement procedures indicate trends, which clearly specify that

¹⁵ Both documents are part of the documentation for the Ministerial Council meeting on 18.10.2012.

these procedures¹⁶ are considered by more stakeholders as an adequate format for enforcement.

Following the Work Program, the Contracting Parties continued to develop their administrative capacity to produce energy statistics compliant with the agreed common platform. The Secretariat organized workshops envisaged in the Road Map on the Energy Community level focused on price statistics and monthly reporting requirements. The outcome of all these efforts has already been acknowledged in 2012 as all Contracting Parties produced and submitted in 2011 energy balances for the year 2010 to International Energy Agency for publication.

Another sphere of activities, which was further strengthened, is the promotion of the Energy Community achievements. This included different measures e.g. improvement of the website, active links with the other national and international institutions, with municipalities and their international organizations, with business representatives, as well as participation as guest speakers in other fora etc.

¹⁶ The current status of the dispute settlement procedures is subject to a separate report.

C. CONCLUSIONS

At this stage of implementing the biannual Energy Community Work Programme for 2012 – 2013 it is not possible to make principle conclusions for the whole Programme period. Nevertheless, the current status of implementation of the Work Programme of the Energy Community indicates that for 2012 the envisaged tasks are being targeted as specified. There are no particular areas of concern related to the full implementation of the Work Programme.

It should be noted that - where necessary - the performance of the tasks is sufficiently backed up financially.

Thus, the Energy Community has concrete background to consider that the current Work Programme represents efficient tool for promoting and achieving the objectives of the Treaty establishing the Energy Community.